

9M/3Q 2020 Results ČSOB Group

Business Unit Czech Republic

Contents

- **ČSOB Group**
 - Key Figures
 - Financial Overview
 - Business Overview
- **ČSOB Pojišť'ovna**
- **Business Unit Czech Republic**
- **Appendix**

ČSOB Group: Key Figures

Update on the impact of the COVID-19 pandemic

ČSOB services operate smoothly

ČSOB services remained physically accessible in nearly all branches. Our **bank-insurance franchise** performed **without interruptions**. The **volume of loans, deposits, and assets under management increased**. **Digital interactions have accelerated as more clients prefer to use our solutions online and through mobile.**

Mobile banking active users increased +35% Y/Y and over 1 million clients used our Internet banking in the 3Q of 2020. Number of transactions entered via mobile banking increased +44% Y/Y.

Credit quality remains stable, significant loan loss impairments

The ratio of non-performing loans decreased to 2.12% of the loan book at the end of the 3Q 2020.

Loan loss impairments increased to CZK 5,092m due to potential economic consequences of the COVID-19 crisis. The full collective COVID-19 expected credit losses have been recorded in the year-to-date period.

Robust liquidity and capital buffers allow ČSOB to face today's challenges with high confidence.

Supporting Czech economy in COVID times

The loan moratorium prepared by the government in cooperation with the banking sector ended at the end of October. **We approved approx. 65 thousand loan deferral requests** within the government and voluntary loan deferral programs.¹

We are **supporting firms and entrepreneurs** with finance under the **COVID loan guarantee programs**. Total approved volume financed through programs COVID II, Prague, III and Plus amounted to **CZK 7.1bn** till the end of October.

Helping those in need

We have dedicated **30 of our call center operators to help the government** with COVID-19 contact tracing.

Since the pandemic started **ČSOB donated almost 2,000 pieces of ICT equipment** such as computers, laptops, monitors, tablets and mobile phones to needy kids and seniors.

Over the last 9 months **ČSOB supported 50 non-profit organizations and primary schools.**

¹ Of which 22ths obligors according to EBA definition

Net profit decrease due to loan impairments and higher base in 2019

Robust capital and liquidity

ČSOB group key indicators		2017	2018	2019	9M 2019	9M 2020
Profitability	Net profit (CZK bn)	17.5	15.8	19.7	14.7	6.3
	Return on equity	19.3%	17.5%	20.7%	21.1%	8.2%
Liquidity	Loan to deposit ratio	77.7%	76.3%	79.4%	79.0%	72.9%
	Net stable funding ratio	146.0%	161.4%	161.5%	158.0%	169.9%
Capital	Tier 1 (CET1) ratio	17.2%	18.0%	19.2%	18.7%	22.8%
Impairments	Credit cost ratio ¹	0.02%	0.03%	0.04%	0.05%	0.64%
Cost efficiency	Cost / income ratio	43.7%	47.9%	44.9%	44.9%	52.8%

Continued good growth of business volumes, lower operating income and net profit

Business indicators

Loan portfolio increased to **CZK 796bn** (+3% Y/Y) driven by retail loans. **Group deposits** increased to **CZK 1,078bn** (+10% Y/Y). **Assets under management** increased to **CZK 246bn** (+5% Y/Y). The number of **active clients** increased **+55ths** Y/Y.

Operating income

Operating income reached **CZK 27.1bn** in 9M 2020 (-14% Y/Y). The Y/Y decrease was driven by lower net interest income and net fee and commission income, the latter also impacted by higher base in 2019 due to one-off gains from revaluation of 55% share in CMSS and the sale of ČSOB Asset Management. The decline was partly offset by full consolidation of CMSS. Adjusted for the impact one-off gains in 2019 and full consolidation of ČMSS, the 9M 2020 operating income would decrease **-9% Y/Y**.

Operating expenses

Operating expenses increased to **CZK 14.3bn** in 9M 2020 (+2% Y/Y) mainly due to consolidation of ČMSS. Adjusted for the impact of ČMSS consolidation and excluding banking taxes, operating expenses would decrease **-3% Y/Y**.

Impairments

Credit cost ratio in 9M 2020 increased to **64 bps** (+59 bps Y/Y) or to **10 bps** (+5 bps Y/Y) without collective COVID-19 expected credit losses.

Net profit

As a result of the above mentioned factors, ČSOB's **net profit** came in at **CZK 6.3bn** (-57% Y/Y) in 9M 2020 and CZK 2.8bn (-25% Y/Y) in 3Q 2020.

Liquidity & Capital

ČSOB maintains strong capital position and excellent liquidity ratios. **CET1 ratio** reached **22.8%**. **Loan to deposit ratio** decreased Y/Y to **72.9%**. The **short-term liquidity ratio LCR** increased to **137.1%** and the **long-term liquidity ratio NSFR** was **169.9%**.

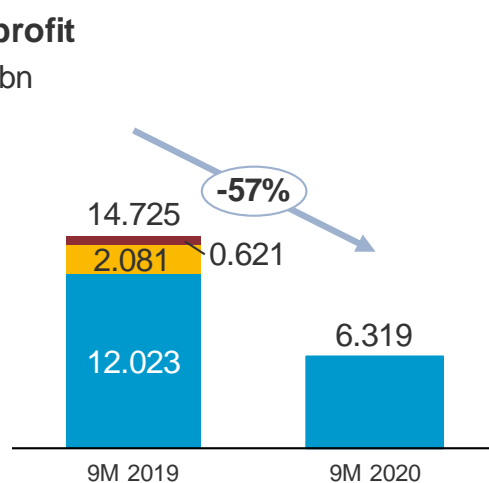
Achievements & Highlights

Hospodářské noviny awarded ČSOB as **the Best Bank** of 2020 and **the Most Client-friendly Bank** in Czech Republic. **Czech Ministry of finance** announced ČSOB as one of the **biggest corporate income taxpayers**. **The Banker** magazine awarded ČSOB for **the Best Private Banking** in Czech Republic for 2020 for 6th time. ČSOB received **the LGBT Friendly Employer 2020 award**.

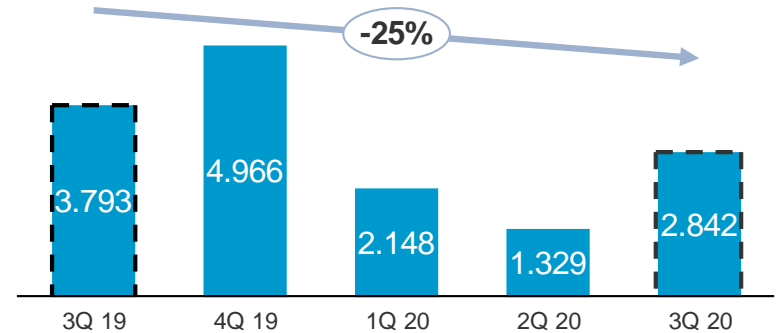
Net profit decrease due to loan impairments and higher base in 2019

Net profit

CZK bn



- Sale of ČSOB AM
- ČMSS acquisition (revaluation of 55% share, net)
- ČSOB Group's net profit



9M/3Q 2020 **net profit** decreased to **CZK 6.3bn** (-57% Y/Y) and **CZK 2.8bn** (-25% Y/Y) respectively. The Y/Y decline is the result of a sharp increase in impairments and lower operating income due to lower net interest income and net fee and commission income, impacted by higher base in 9M 2019 due to one-off gains from revaluation of 55% share in CMSS and the sale of ČSOB Asset Management.

Adjusted for the impact of full consolidation of ČMSS and one off-gains in 2019, the 9M net profit would decrease **-48% Y/Y**.

The return on equity (ROE) decreased to **8.2%** (-12.9pp Y/Y) driven by lower net profit.

Notes (gross impact):

1Q 2019 one-off items: gain from historical legal case (CZK +0.2bn), sale of ČSOB AM (CZK +0.6bn)

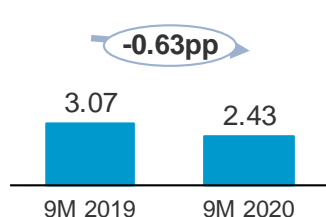
2Q 2019 one-off item: gain from revaluation of ČSOB's 55% share in ČMSS triggered by acquisition of remaining 45% share, in conformity with IFRS 3 (CZK +2.1bn)

2Q 2020 one-off item: modification loss (-0.1bn CZK)

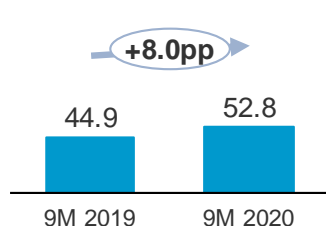
Robust capital position and excellent liquidity ratios

Profitability

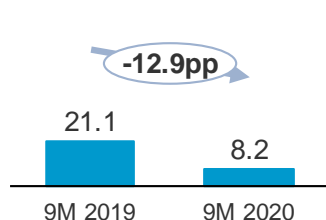
Net interest margin (%)



Cost / income ratio (%)

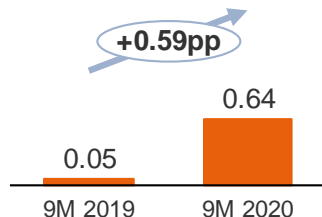


ROE (%)

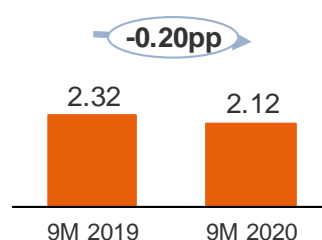


Loan portfolio quality

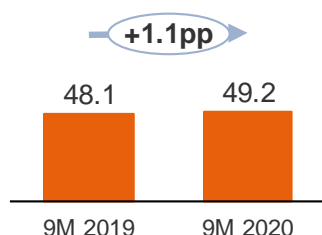
CCR, Ytd. annualized¹ (%)



NPL ratio² (%)

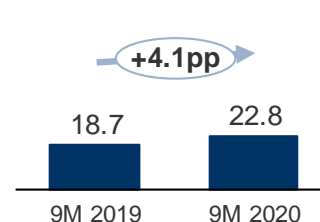


NPL coverage ratio² (%)

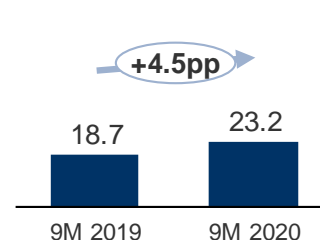


Capital

Tier 1 (CET 1) ratio (%)

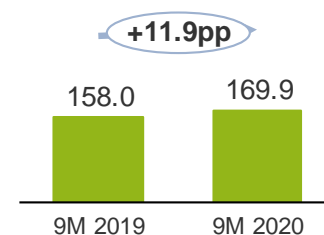


Total capital ratio (%)

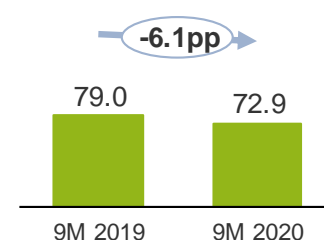


Liquidity

Net stable funding ratio (%)



Loan to deposit ratio (%)



¹ Collective COVID-19 ECL excluded from annualization (management overlay and impairments captured by the ECL models).

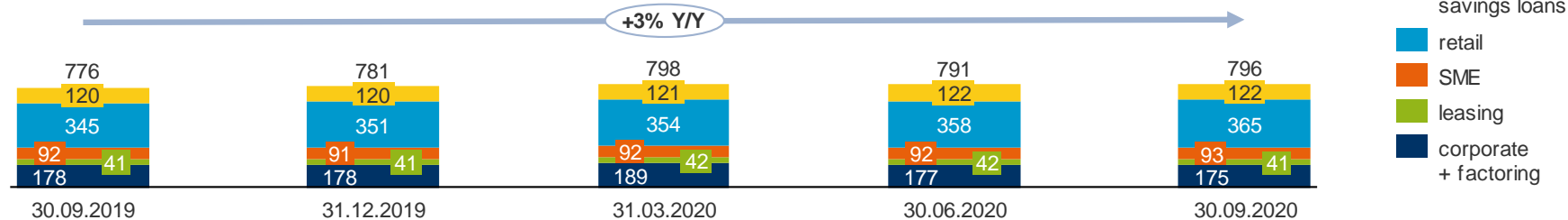
² Loan portfolio quality ratios as of 31.3.2019 were retrospectively recounted reflecting 100% consolidation of ČMSS.

Loans, deposits and assets under management

Continued growth of loans, deposits and assets under management

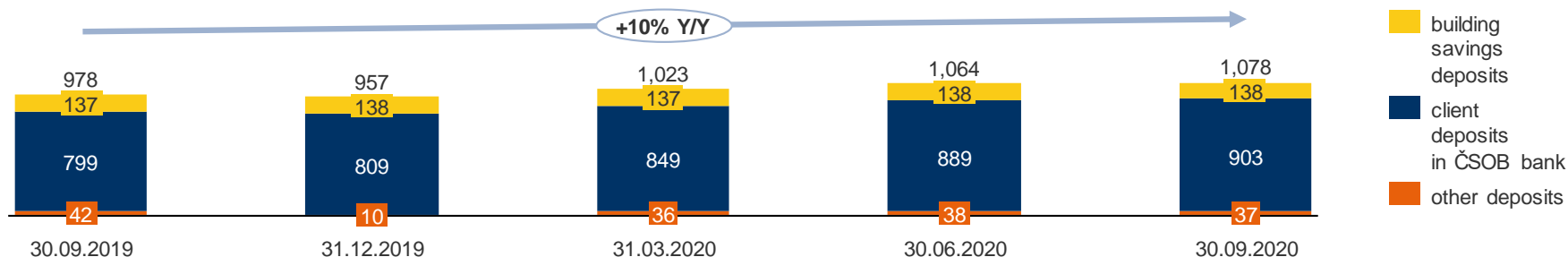
Loan portfolio¹

CZK bn



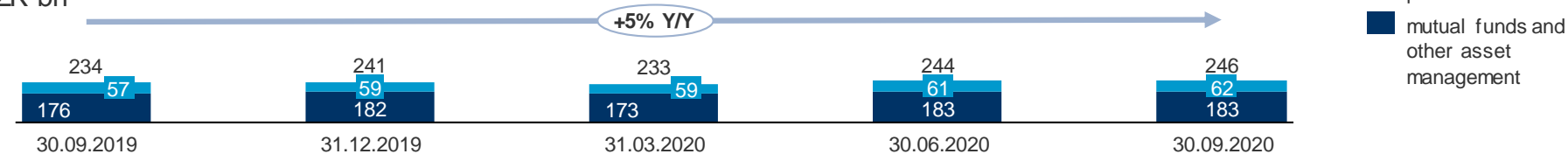
Group deposits²

CZK bn



Total assets under management

CZK bn

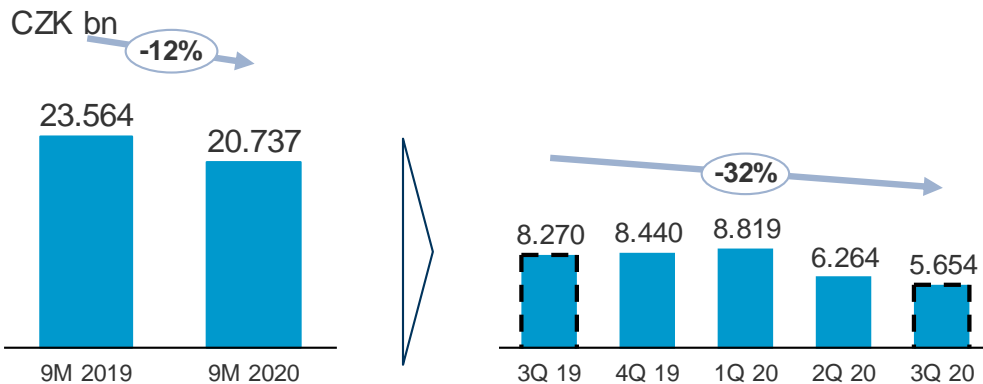


ČSOB Group: Financial Overview

Net interest income and Net interest margin

Decreasing net interest income and lower net interest margin

Net interest income (NII)

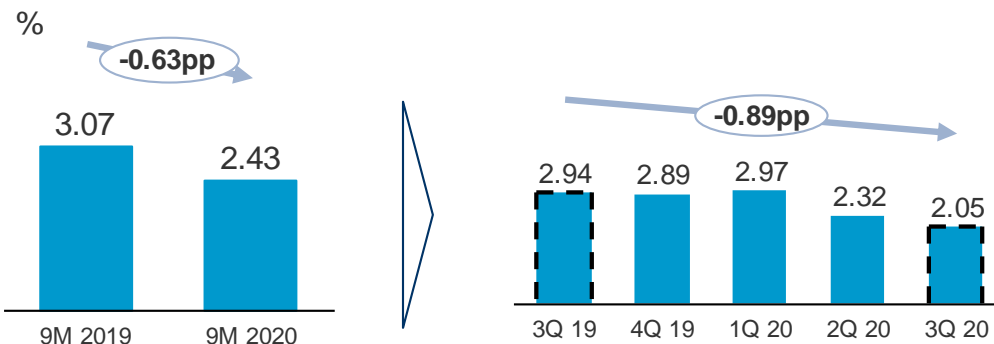


9M/3Q 2020 **net interest income** decreased **-12% Y/Y** and **-32% Y/Y** respectively as a result of:

- (-) NII from deposits,
- (-) other NII influenced by hedging position and short-term operations at financial markets,
- (+) consolidation of ČMSS

Adjusted for the impact of full consolidation of ČMSS, NII would decrease **-15% Y/Y** in 9M.

Net interest margin (NIM)*



In 9M 2020, **net interest margin** reached **2.43%** (-0.63pp Y/Y) mainly due to the pressure on deposit margins.

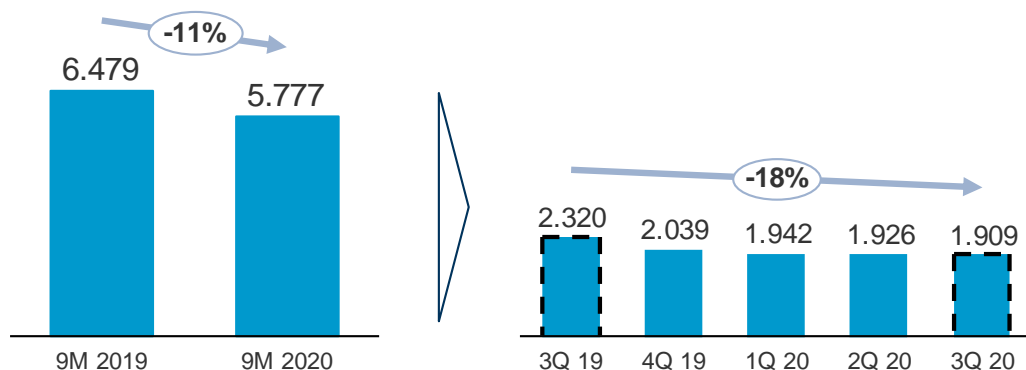
	2017	2018	2019	9M 2020
Net interest margin (Ytd., %)*	2.90 (2.98)	3.07 n/a	3.02 n/a	2.43 n/a

Net fee and commission income and Other

Lower NFCI linked to lower economic activity

Net fee and commission income (NFCI)

CZK bn

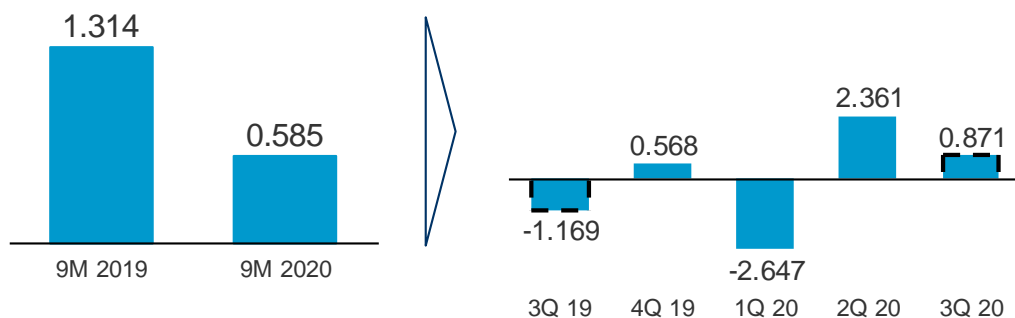


9M/3Q 2020 **net fee and commission income** decreased **-11% Y/Y** and **-18% Y/Y** respectively as a result of lower fees on foreign payments due to regulation, lower fees from loans and payment cards, linked to lower economic activity due to COVID-19 pandemic, partly offset by higher asset management fees.

Adjusted for the impact of ČMSS consolidation, NFCI would decrease **-12% Y/Y** in 9M.

Other¹

CZK bn



Y/Y decrease of item “**Other**” was influenced by following factors:

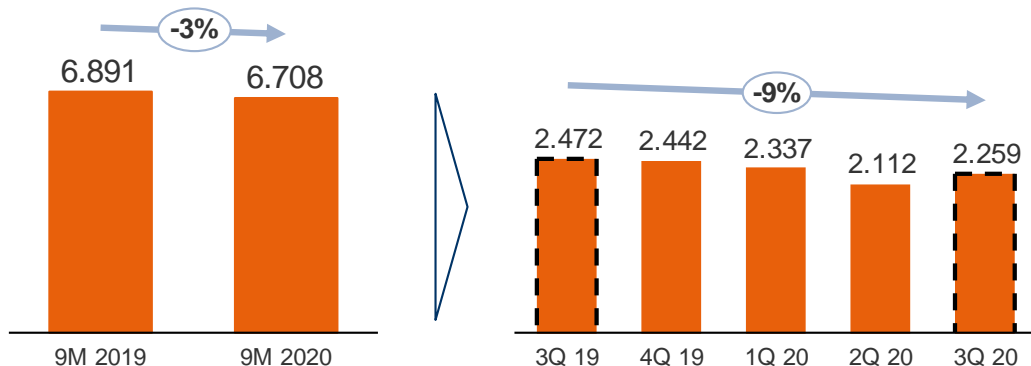
- (-) one-off gain from CMSS revaluation in 2Q 2019,
- (-) one-off gain from sale of ČSOBAM in 1Q 2019,
- (-) one-off gain from historical legal case in 1Q 2019,
- (-) valuation adjustments,
- (+) short-term operations at financial markets,
- (+) sale of bonds.

Staff and General administrative expenses

Operating expenses under control

Staff expenses

CZK bn

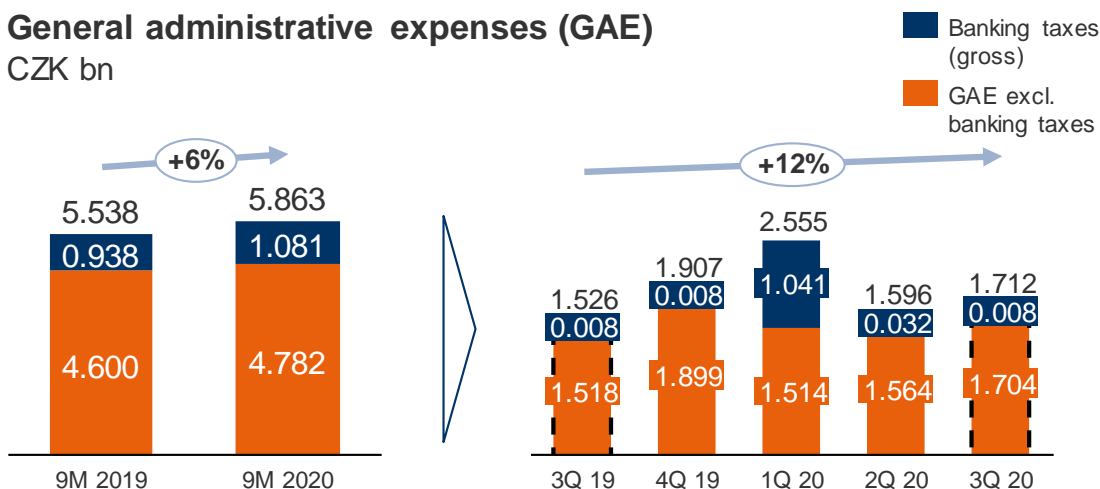


9M/3Q 2020 **staff expenses** decreased **-3% Y/Y** and **-9% Y/Y** respectively. Increased costs attributable to consolidation of ČMSS were compensated by lower accruals for bonuses and lower number of FTEs.

Adjusted for the impact of ČMSS consolidation, staff expenses would decrease **-5% Y/Y** in 9M.

General administrative expenses (GAE)

CZK bn



In 9M 2020 **general administrative expenses** increased **+6% Y/Y** driven mainly by ČMSS consolidation, higher ICT costs and COVID-19 related costs, partly compensated by lower marketing and other costs.

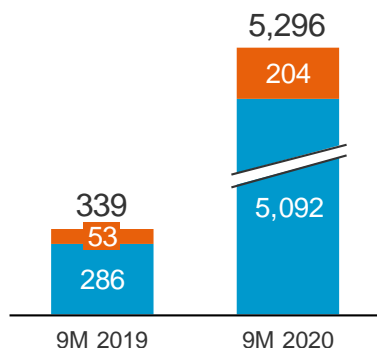
Adjusted for the impact of ČMSS consolidation and excluding banking taxes, GAE would **remain stable Y/Y** in 9M.

Cost/income ratio increased to **52.8%** (+8.0pp Y/Y) driven by lower operating income.

Loan quality expected to be impacted by COVID-19

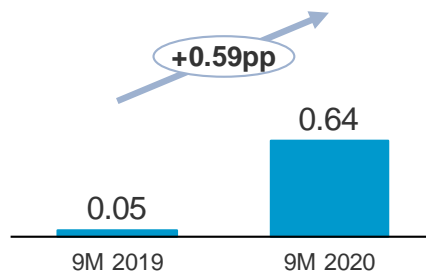
Total impairments

CZK m



CCR, Ytd. annualized¹

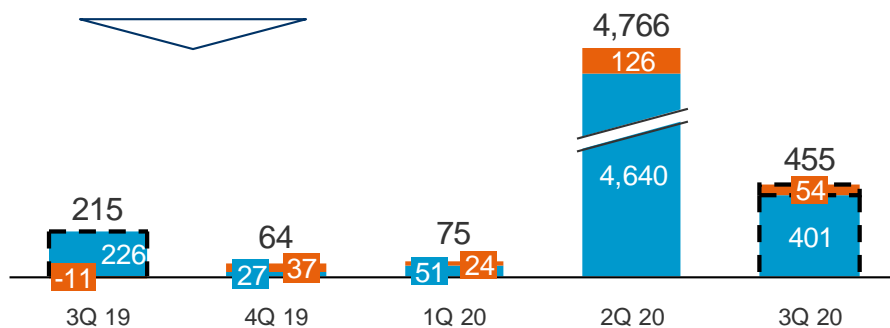
%



In 9M 2020, **loan loss provisions** increased to **CZK 5,092m** attributable to collective COVID-19 expected credit losses (of which CZK 4.1bn management overlay in accordance with IFRS 9 and CZK 0.5bn impairments captured by the ECL models through the updated macroeconomic variables) and higher impairments in corporate segment and Hypoteční banka.

Other impairments increased Y/Y to **CZK 204m** impacted mainly by modification loss related to deferred installments under loan moratorium in 2Q.

Credit cost ratio for 9M 2020 reached **0.64%** (Ytd., annualized; +59 bps Y/Y) or **0.10%** without collective COVID-19 ECL (+5 bps Y/Y).



other impairments (see note)

loan loss provisions (impairments on financial assets at amortised cost)

Notes:

Figures in graphs: (+) net creation/cost and (-) net release/revenue. Other impairments include impairments on tangible and intangible assets.

Risk view on structure of the loan portfolio

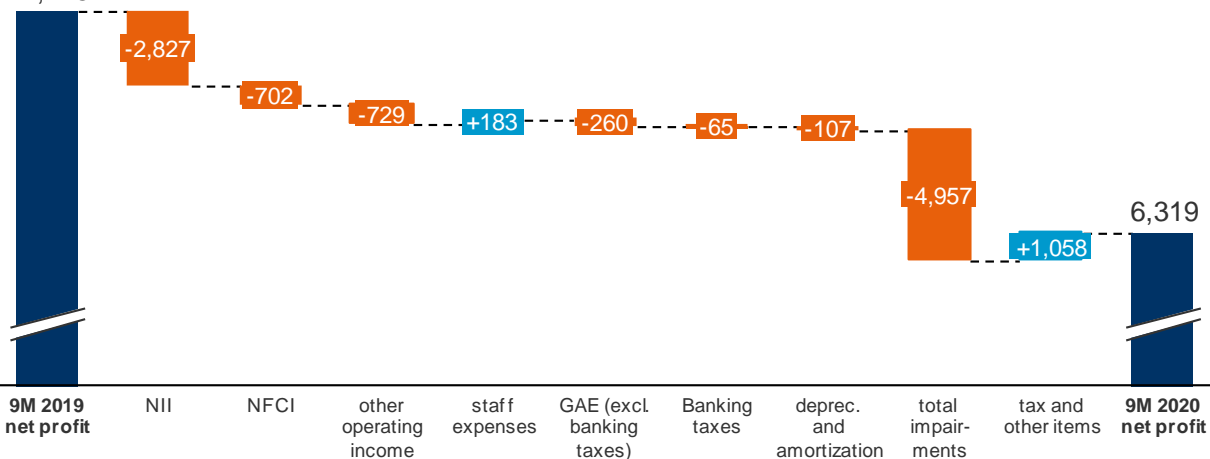
	30.9.2020	
IFRS 9 distribution	Amount (CZK bn)	Share on total loans
Loan portfolio (incl. ČMSS)	795.5	100%
Stage 1 - performing	721.0	91%
Stage 2 - underperforming	57.4	7%
Stage 3 - non-performing loans	17.1	2%

Wrap up of net profit drivers

Net profit (Y/Y)

CZK m

14,725



The main difference between 9M 2020 and 9M 2019 net profit was caused by the following drivers:

On the **positive** side:

- lower staff expenses as a result of lower accruals for bonuses and lower number of FTEs, partly compensated by CMSS consolidation
- tax and other items

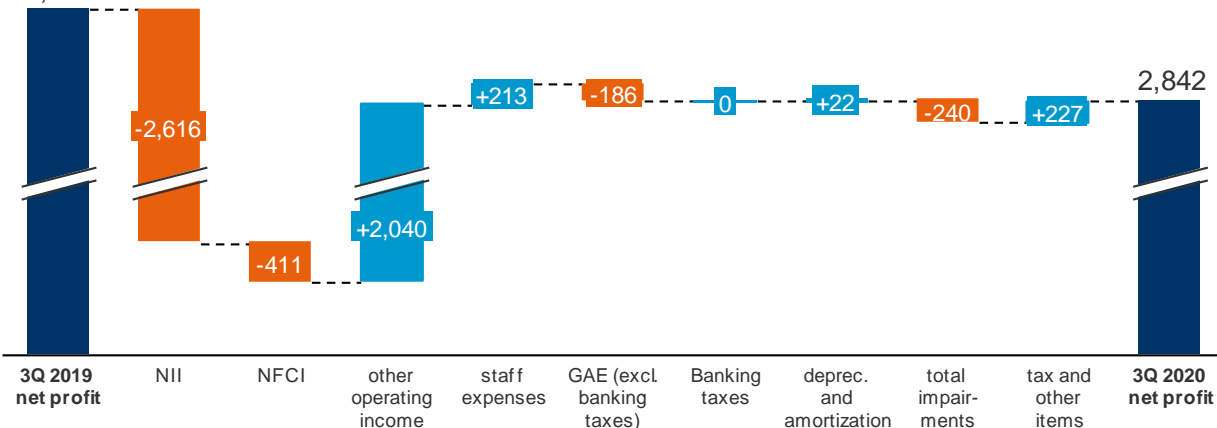
On the **negative** side:

- higher total impairments
- lower NII due to NII from deposits and other NII, partly compensated by consolidation of ČMSS
- lower other operating income impacted by higher base in 2019 due to one-off gain from revaluation of CMSS, sale of ČSOB AM and historical legal case
- lower NFCI due to decreasing fees from foreign payments and lower fees from loans and payment cards, partially offset by higher fees from asset management
- higher GAE was influenced by CMSS consolidation, higher ICT costs and COVID related costs, partly offset by savings in marketing and other expenses
- higher banking taxes due to higher regulatory requirement

Net profit (Y/Y)

CZK m

3,793



The main difference between 3Q 2020 and 3Q 2019 net profit was caused by the following drivers:

On the **positive** side:

- higher other operating income thanks to trading income and valuation adjustments
- lower staff expenses thanks to lower accruals for bonuses, and lower number of FTEs
- tax and other items

On the **negative** side:

- lower NII driven by NII from deposits and other NII, partly offset by NII from loans
- lower NFCI driven by lower fees from foreign payments, lower distribution fees and lower fees from loans
- higher total impairments
- higher GAE was influenced by higher costs of ICT and creation of reserve for legal dispute, partly offset by savings in marketing and other expenses

Capital

Strong capital position

Consolidated, CZK m	30.9.2019	31.12.2019	30.9.2020
Total regulatory capital	73,115	75,117	96,020
- (Common Equity) Tier 1 Capital	73,115	75,117	94,123
- Tier 2 Capital	0	0	1,897
Total RWA	391,066	391,461	413,210
- Credit risk	326,993	321,481	343,478
- Market risk	857	633	385
- Operational risk	63,216	69,347	69,347
(Common Equity) Tier 1 ratio	18.7%	19.2%	22.8%
Total capital ratio	18.7%	19.2%	23.2%

The Y/Y increase of (Common Equity) Tier 1 capital due to inclusion of full 2019 profit and 2020 interim profit. Increase in Tier 2 capital caused by an excess of provisions (related to COVID) over expected losses.

Total RWA increased Y/Y due to increase of credit risk (changes in methodology) and increase in counterparty credit risk (derivates).

Notes:

Total RWA (risk weighted assets) = credit risk RWA + market risk RWA + operational risk RWA

Tier 1 capital = share capital + share premium + legal reserve funds + retained earnings + other comprehensive income – goodwill – intangible assets

Tier 2 capital = subordinated debt weighted by regulatory coefficient + surplus in expected credit losses

Total regulatory capital = (Common Equity) Tier 1 + Tier 2

ČSOB Group: Business Overview

Stable market share in total deposits, increasing market share in consumer finance and insurance

1st

Total Loans¹	20,6%	↓
Mortgages ^{1,6}	26.6%	↓
Building savings loans ¹	39.5%	↓
Building savings deposits ¹	39.5%	↓

2nd

Total Deposits¹	20.4%	→
Mutual funds ¹	22.8%	↓
Factoring ²	19.7%	↓
Leasing ¹	17.6%	↑

3rd

Pension funds ³	14.7%	↑
SME/corporate loans ¹	14.3%	↓
Consumer lending ^{1,4,6}	13.4%	↑

4th

Insurance ⁵ - combined	8.4%	↑
Non-life insurance ⁵	8.6%	↑
Life insurance ⁵	7.9%	→

Arrows show Y/Y change. Market shares as of 30 September 2020, except for pension funds and leasing which are as of 30 June 2020. The ranking is ČSOB's estimate. Market position in the insurance reflects combined position of the insurers belonging to the same business group.

¹ Outstanding at the given date (including ČMSS); ² New business in the year to the given date; ³ Number of total clients at the given date; ⁴ Retail loans excluding mortgages and building savings loans. ⁵ New business in the year according to gross written premium. ⁶ Since 1Q 2019, market shares in mortgages and consumer lending are influenced by methodological change in CNB reporting.

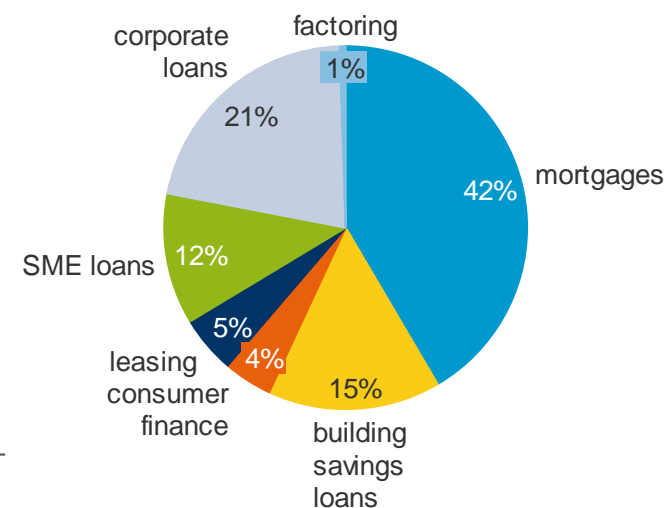
Sources and detailed definitions are provided in Appendix.

Loan growth driven by Retail Segment

Gross outstanding volumes, CZK bn	30.9.2019	30.9.2020	Y/Y
Loan portfolio	775.9	795.5	+3%
Retail Segment			
Mortgages ¹	311.9	330.5	+6%
Consumer finance	33.4	34.5	+3%
Building savings loans ²	119.8	122.4	+2%
SME/Corporate Segment			
Corporate loans ³	171.4	170.5	-1%
SME loans	91.8	92.7	+1%
Leasing	41.1	40.6	-1%
Factoring	6.3	4.3	-32%
Other ⁴	45.9	44.7	-3%
Credit risk: loan portfolio	821.7	840.3	+2%

30.9.2020

More than 60% of the total loan portfolio is in retail, out of which majority in financing housing needs.



¹ The ČSOB group mortgages are booked in the balance sheet of ČSOB's subsidiary Hypoteční banka.

² The ČSOB group building savings loans are in the balance sheet of ČMSS building savings company.

Volumes in the table above are reported in 100% and beginning 2Q 2019 included in the ČSOB's consolidated balance sheet.

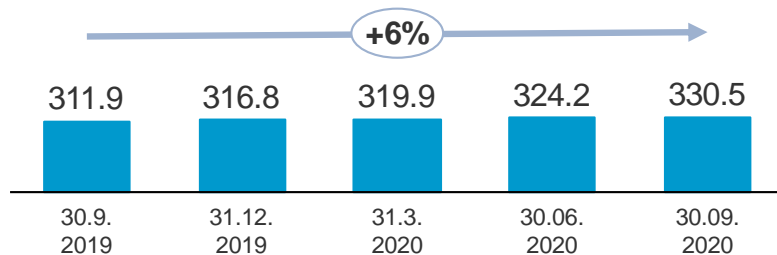
³ Including credit-replacing bonds.

⁴ Including off-balance sheet items and ALM/financial markets exposures.

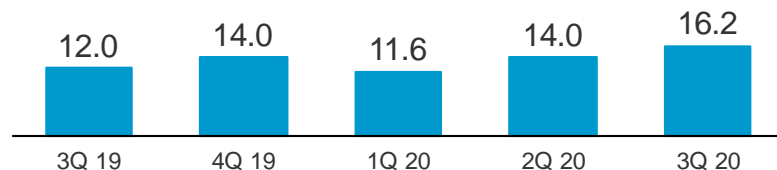
Growth of mortgage as well as building savings loans volumes

Mortgages

Outstanding, CZK bn



New sales*, CZK bn

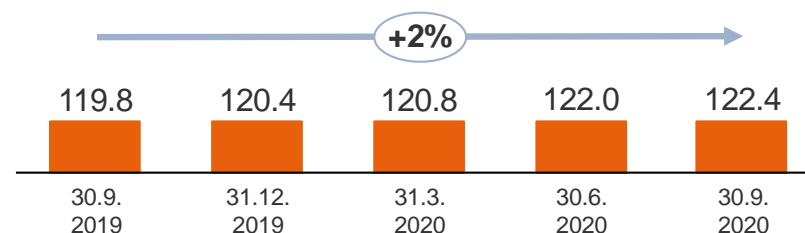


The **outstanding volume of mortgages** increased **+6% Y/Y** as the mortgage market remained active in the 9M of 2020 despite the outbreak of COVID-19 crisis.

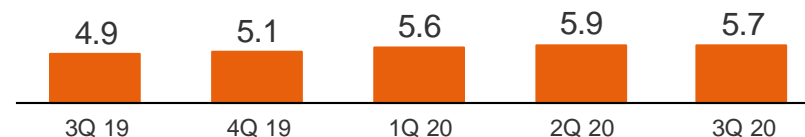
In 3Q 2020, ČSOB provided **5.6 thousand new mortgages** (+13% Y/Y) in the total amount of **CZK 16.2bn** (+34% Y/Y). The market of new mortgages increased +17% Y/Y in the number and +40% Y/Y in the total amount of new mortgages.

Building savings loans

Outstanding (ČMSS 100%), CZK bn



New sales (ČMSS 100%)*, CZK bn



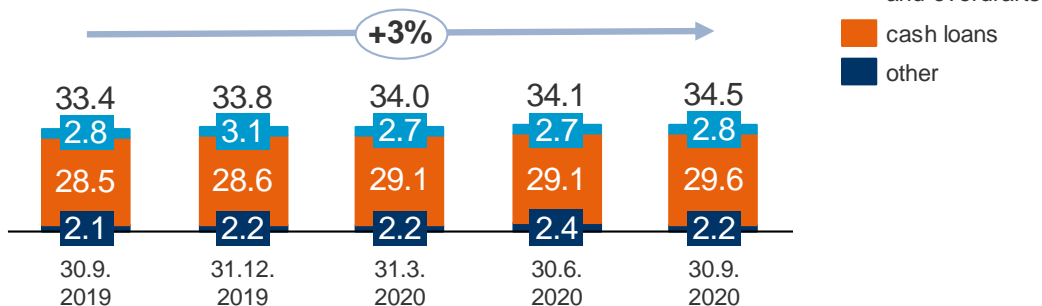
The outstanding **building savings loan portfolio** increased **+2% Y/Y**, while the market remained stable Y/Y.

In 3Q 2020, **new sales** increased **+17% Y/Y**. The increase was influenced by the continuing interest in real estate investments.

Consumer finance, SME loans, Leasing

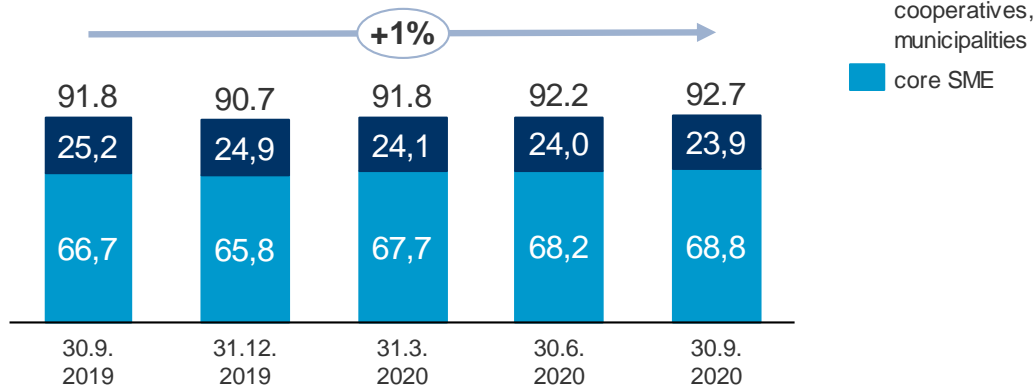
Growth in consumer finance

Consumer finance, outstanding, CZK bn



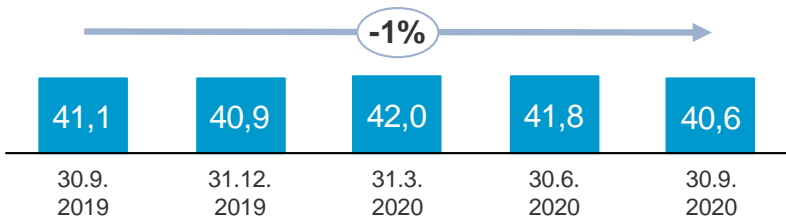
Consumer finance grew **+3% Y/Y** driven by cash loans (+4% Y/Y) mainly thanks to direct channels.

SME loans, outstanding, CZK bn



SME loans increased **+1% Y/Y** driven by expansion in core SME lending (micro, small and mid-sized companies, +3% Y/Y) and also supported by state guaranteed COVID loan programs.

Leasing, outstanding*, CZK bn



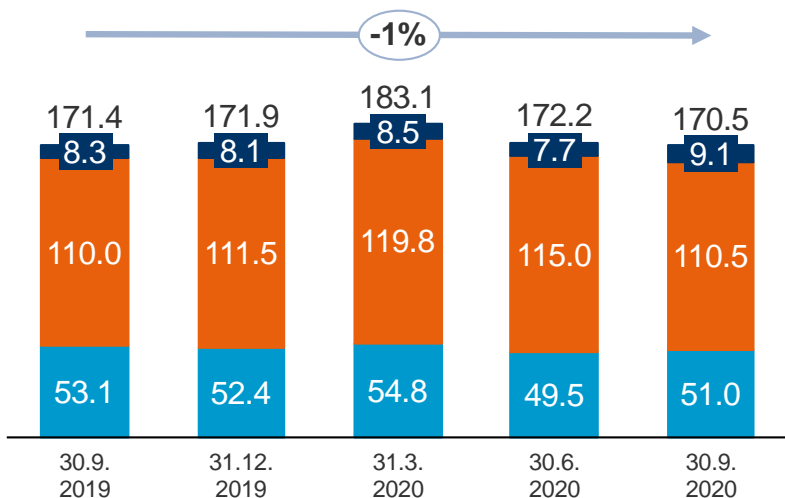
Outstanding volumes in **ČSOB Leasing** decreased **-1% Y/Y** due to lower sales of Financial products for dealers.

Decrease of outstanding volumes due to increased repayments

Corporate loans

Outstanding, CZK bn

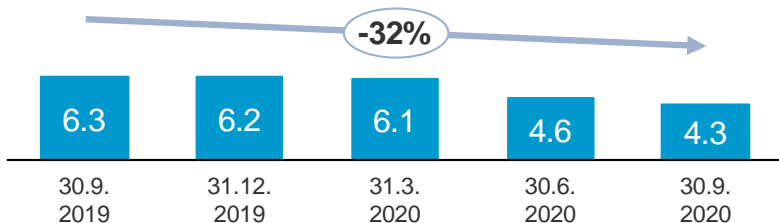
- credit-replacing bonds
- specialized finance
- plain vanilla financing



Outstanding volumes of **corporate loans** decreased **-1% Y/Y** due to increased repayments in electricity, telecommunication and service sectors.

Factoring

Outstanding, CZK bn

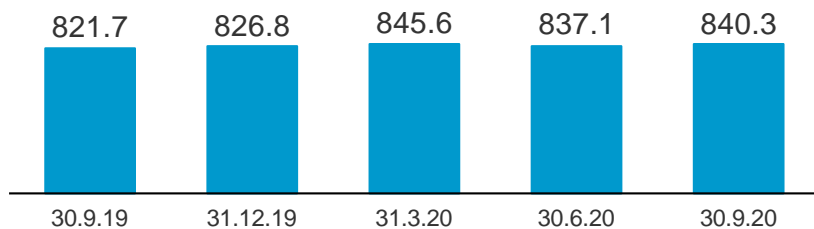


Factoring outstanding volumes decreased **-32% Y/Y** due to COVID 19 impact on drawing of credit limits.

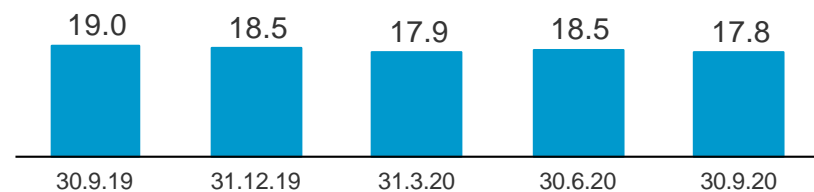
Credit risk

Increasing credit costs

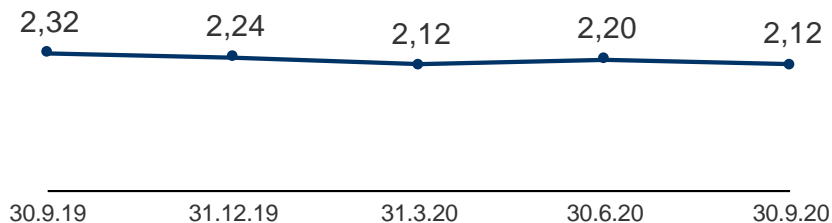
Credit risk: loan portfolio (CZK bn)



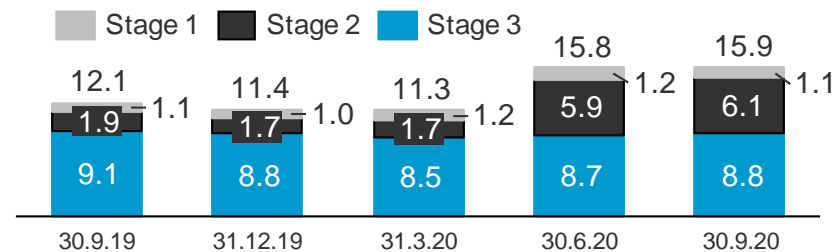
Non-performing loans (CZK bn)



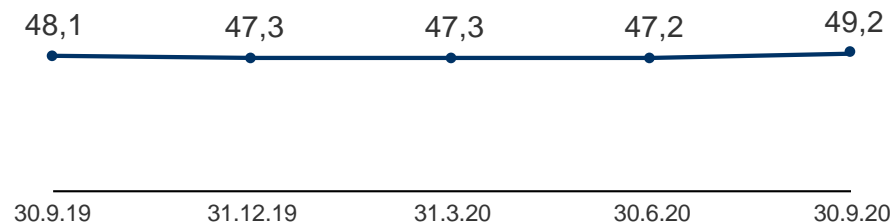
NPL ratio (%)



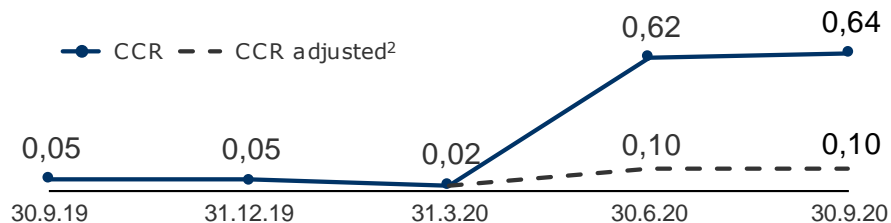
Allowances for loans and leases ¹ (CZK bn)



NPL coverage ratio (%)



Credit cost ratio (% , Ytd. annualized)



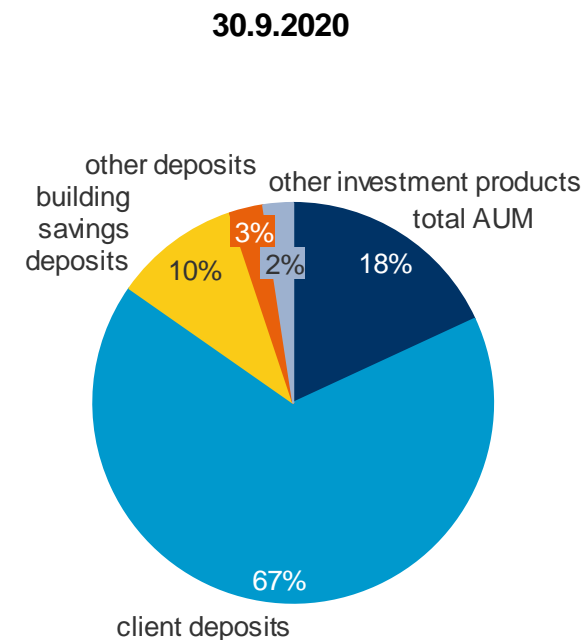
¹ Significant increase in Stage 2 in 2Q 2020 attributable to management overlay.

² CCR adjusted: without collective COVID-19 ECL (management overlay and impairments captured by the ECL models).

Group deposits and Total assets under management

Growth of deposits and assets under management

Outstanding volumes, CZK bn	30.9.2019	30.9.2020	Y/Y
Group deposits	978.0	1,078.0	+10%
Client deposits	798.9	903.2	+13%
<i>Current accounts</i>	554.2	637.2	+15%
<i>Savings deposits</i>	200.2	245.7	+23%
<i>Term deposits</i>	44.5	20.3	-54%
Other deposits ¹	42.2	37.0	-12%
Building savings deposits	136.9	137.9	+1%
Total AUM	233.6	245.5	+5%
Pension funds ²	57.4	62.3	+9%
Mutual funds and other AM ³	176.2	183.2	+4%
Other investment products ⁴	43.3	32.5	-25%



¹ The other deposits predominantly consist of repo operations with institutional clients.

² Liabilities to pension fund policy holders.

³ Item "Mutual funds and other AM" includes AUM in structured/capital protected funds, AUM in other mutual funds, other asset management and AUM of Slovak local funds managed in Czech Republic.

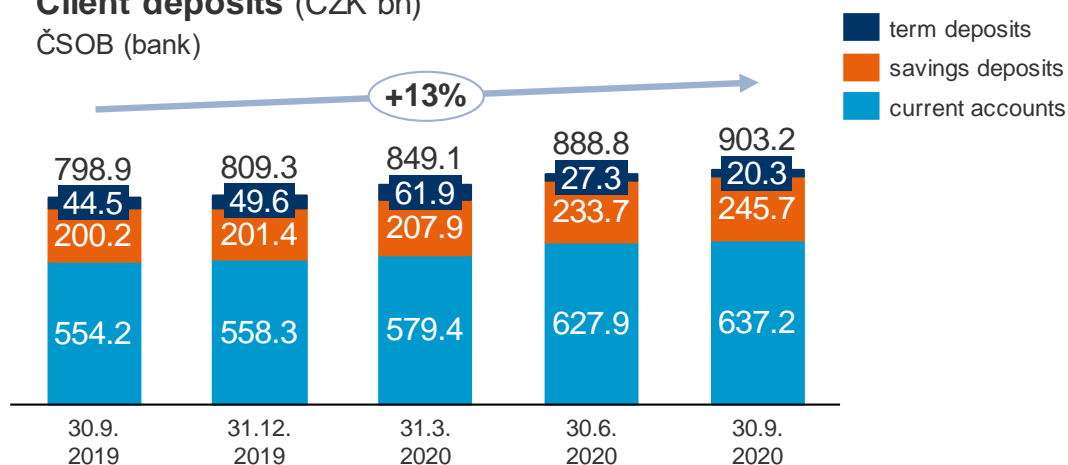
⁴ Including bonds, investment certificates and mortgage covered bonds. See definition in appendix.

Client deposits, Building savings deposits and Pension funds

Strong growth of client deposits and pension funds

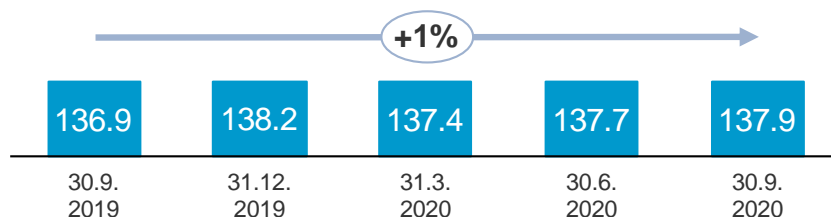
Client deposits (CZK bn)

ČSOB (bank)



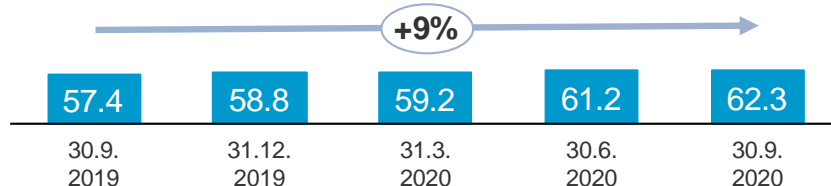
Client deposits increased **+13% Y/Y** driven by the growth of **current accounts** (+15% Y/Y) and **savings deposits** (+23% Y/Y) while **term deposits** decreased.

Building savings deposits (CZK bn)



Building savings deposits increased **+1% Y/Y** thanks to growing interest of clients.

Pension funds (CZK bn)



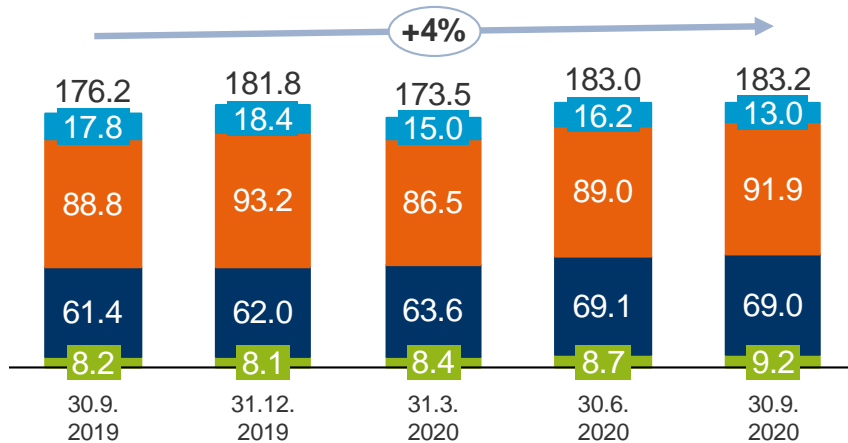
The volume of savings in **pension funds** increased **+9% Y/Y** driven mainly by higher average pension savings per client.

Mutual funds and other AM increased +4% Y/Y driven by new sales

Mutual funds and other AM

Outstanding volumes, CZK bn

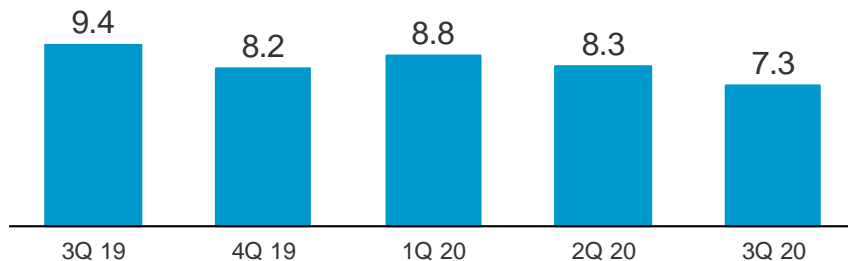
- AUM in structured/capital protected mutual funds
- AUM in other mutual funds
- other asset management
- AUM of Slovak local funds managed in Czech Rep.



Mutual funds and other AM increased +4% Y/Y to CZK 183.2bn due to increase in other AM.

Mutual funds

New sales (gross), CZK bn



3Q 2020 new sales of mutual funds decreased -23% Y/Y mainly due to lower sales of ČSOB Premiéra funds and structured funds.

Notes:

Mutual funds include funds managed by ČSOB AM as well as those distributed by the ČSOB group but managed by the KBC AM. Only direct positions are included (the funds bought directly by clients).

Other asset management: Discretionary mandates and Qualified Investors Funds. AUM of Pension Funds managed by ČSOB AM are excluded and are shown separately in Pension funds section.

Growing active client base supported by ongoing transformation to omni-channel distribution model

	30.9.2019	30.6.2020	30.9.2020
Clients of ČSOB's group (mil.)	4.244	4.238	4.241
Clients of Ušetřeno.cz and Top-Pojištění.cz (ths.; YtD.)¹	145	70	108
ČSOB branches (bank only)	227	221	221
ČSOB Retail/SME branches incl. dual branded (ČSOB + PSB)	205	199	199
ČSOB Private Banking branches	11	11	11
ČSOB Corporate branches	11	11	11
ČSOB Pojišť'ovna branches	97	97	97
Hypoteční banka centers	29	29	29
ČMSS advisory centers	287	268	272
Leasing branches	7	7	7
PSB outlets of the Czech Post network	ca. 2,600	ca. 2,600	ca. 2,600
- of which specialized banking counters	223	230	229
Czech Post franchise outlets	ca. 600	ca. 600	ca. 600
ATMs²	1,064	1,070	1,041
- of which contactless	482	538	562

The **number of clients** decreased -4ths Y/Y, but the **number of active clients** increased **+55ths Y/Y**.

At the end of September 2020, clients could use **1,041 ATMs** (-23 Y/Y), of which 562 were contactless (+80 Y/Y), 262 enabled cash deposits (+22 Y/Y) and **1,005** are customized for visually impaired clients.

Due to the ongoing optimization of the branch network and strengthening of the self-service platforms, the number of **ČSOB branches** reached 221 (-6 Y/Y) by the end of September.

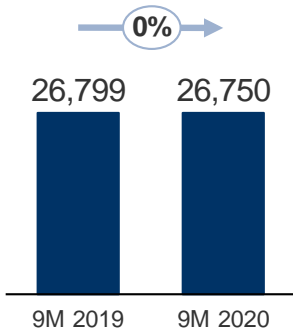
Extended portfolio of bank-insurance services at Czech Post is provided at **229 specialized banking counters** (+6 Y/Y).

Note:

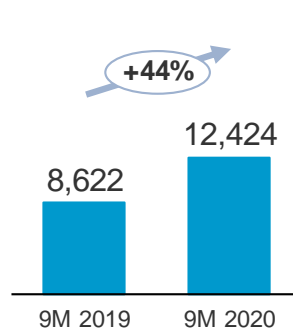
The multi-channel distribution platform of the ČSOB group includes also a wide **agent network** of over 5,000 agents, incl. ČMSS tied agents, intermediaries and individual brokers for Hypoteční banka, ČSOB Leasing's dealers and ČSOB Pojišť'ovna's tied agents, multi-agents and individual brokers.

Number of mobile banking active users and transactions rapidly increasing

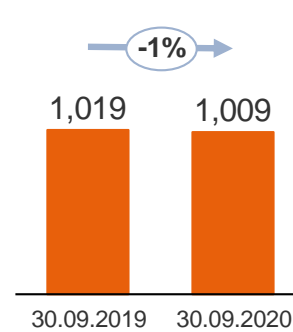
Internet banking transactions*
(ths)



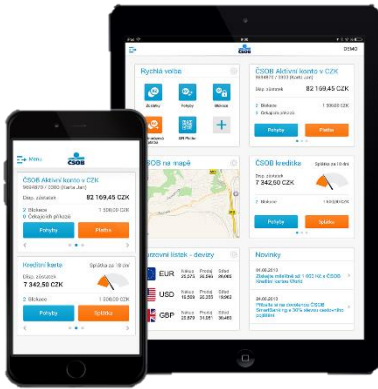
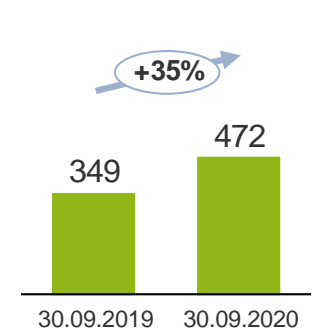
Mobile banking transactions*
(ths)



Internet banking active users**
(ths)



Mobile banking active users***
(ths)



As of 30 September 2020, the number of **mobile banking** active users increased +35% Y/Y, the number of **internet banking** active users decreased -1% Y/Y.

In 9M 2020, number of transactions entered via **mobile banking** increased +44% Y/Y and number of transactions via **internet banking** remained stable.

* Only transactions of retail and private banking clients are included. Transactions from standing payment orders are excluded.

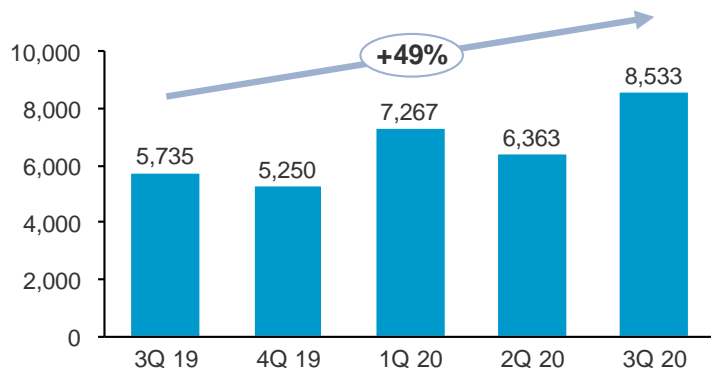
** Internet banking active users are clients who at least once during the last 3 months used internet banking.

*** Mobile banking active users are clients who at least once during the last 3 months used mobile banking.

Online initiated sales are increasing, sales of travel insurance impacted by COVID-19

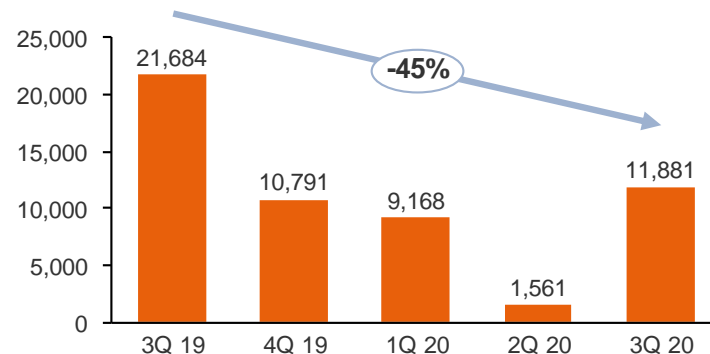
Consumer finance

(pcs)

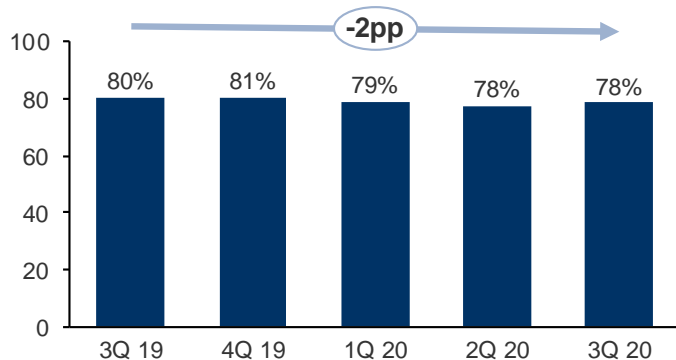


Travel insurance

(pcs)



Share of digitally-signed documents at the branches



In 3Q 2020 nearly 9 thousand **consumer loans** were initiated online, up +49% Y/Y. Online sales of **travel insurance** decreased by -45% Y/Y. The Y/Y decrease can be attributed to the outbreak of COVID-19 crisis, Q/Q increase thanks to seasonal effects.

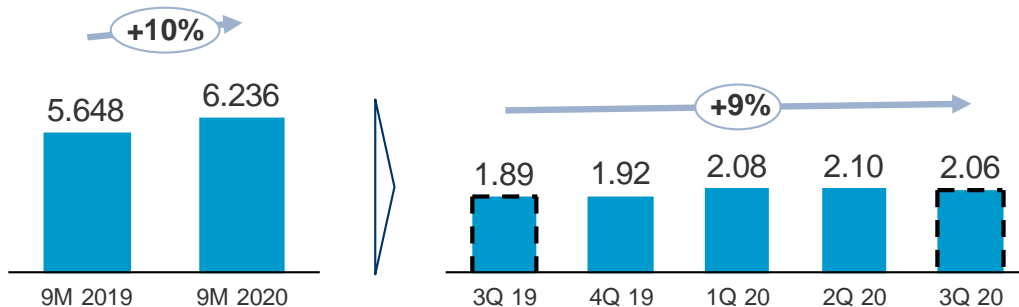
From 2016, ČSOB offers paperless operations at all branches. The share of **digitally-signed documents** at the branches reached 78% in 3Q 2020, down -2pp Y/Y.

ČSOB Pojišťovna: Key figures

Growth in non-life as well as in regular life gross written premium

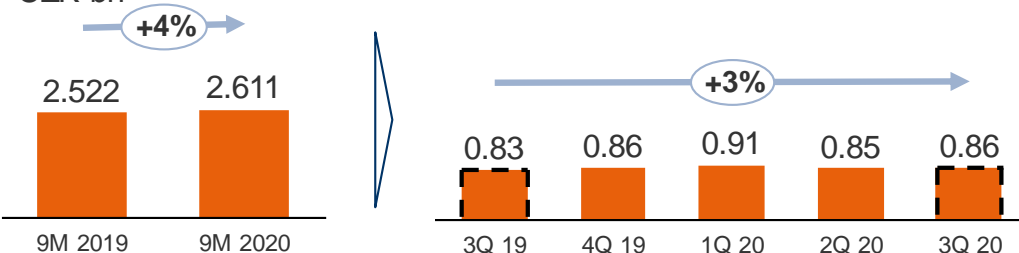
Non-life insurance - gross written premium (GWP)

CZK bn



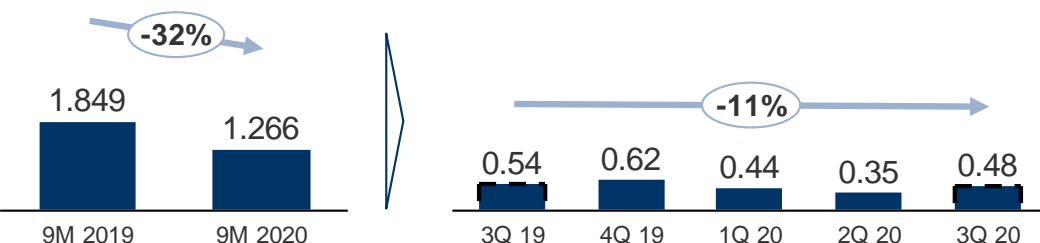
Life insurance – regular paid gross written premium

CZK bn



Life insurance - single paid gross written premium

CZK bn



Market shares	9M 2020	Market position
Non-life insurance	↑ 8.6%	5 th
Life insurance	➔ 7.9%	4 th

Arrows show Y/Y change.

Non-life insurance

9M/3Q 2020 non-life gross written premium increased **+10% Y/Y** and **+9% Y/Y** respectively thanks to growth in all product lines, while the market increased **+4% Y/Y**.

Life insurance

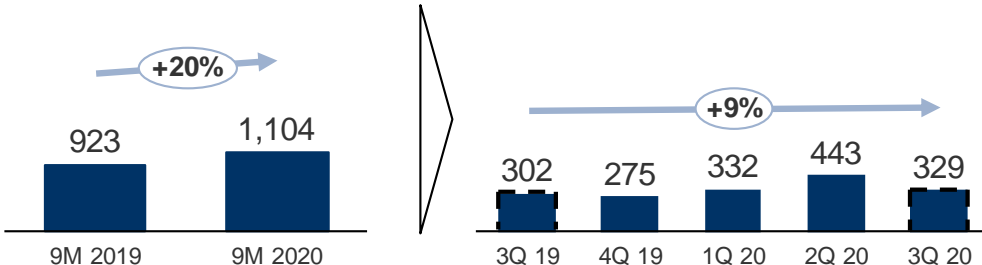
9M/3Q 2020 **regular paid** gross written premium increased **+4% Y/Y** and **3% Y/Y** respectively as a result of portfolio stabilization and better profile in lapses of the life contracts, while the market increased **3% Y/Y**.

9M 2020 **single paid** gross written premium decreased by **-32% Y/Y** due to lower amount of tranches Y/Y. The market decreased **-20% Y/Y**.

Net profit improved thanks to GWP growth and lower claims

Net profit

CZK m



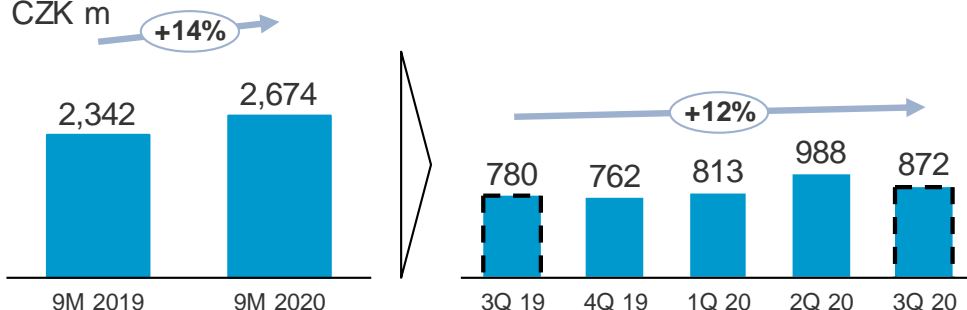
9M/3Q 2020 **net profit** increased to **CZK 1,104m** (+20% Y/Y) and **CZK 329m** (+9% Y/Y) respectively, thanks to GWP growth and lower claims.

9M/3Q 2020 **operating income** increased to **CZK 2,674m** (+14% Y/Y) and **CZK 872m** (+12% Y/Y) respectively, influenced by the following drivers:

- life: growth in regular paid GWP and stable profit contribution in Y/Y comparison.
- non-life: favorable GWP Y/Y growth, improved profitability due to lower normal claims (influenced by COVID-19)

Operating income

CZK m

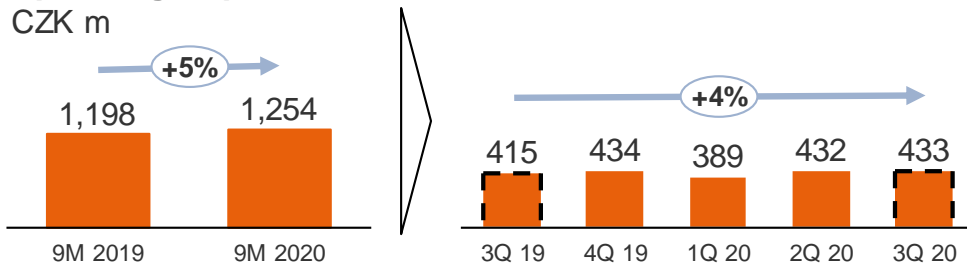


9M 2020 **operating expenses** increased +5% Y/Y to CZK 1,254m and in 3Q +4% to CZK 433m, driven by higher FTEs to support the growth, and higher depreciation.

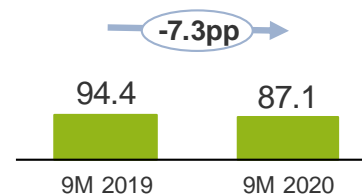
Non-life combined ratio reached 87.1%, decreased Y/Y thanks to improvement in loss ratio mainly driven by low number of claims.

Operating expenses

CZK m



Non-life combined ratio (%)



Business Unit Czech Republic

Business Unit Czech Republic

Lower net profit driven by ČSOB group



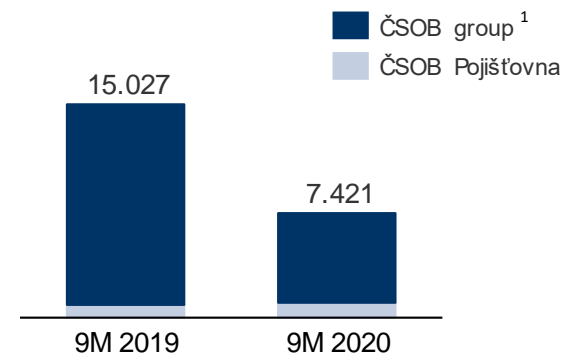
Effective as of 1 January 2013, KBC has organized its core markets activities into three business units. As a result, KBC's business in the Czech Republic have been included into Business Unit Czech Republic.

The 9M/3Q 2020 net profit of the Business Unit Czech Republic reached CZK 7.4bn (-51% Y/Y) and CZK 3.1bn (-25% Y/Y) respectively. The Business Unit Czech Republic contains all KBC's operations in the Czech Republic, namely the ČSOB group, and full ownership of ČSOB Pojišťovna and until 4Q2018 also ČSOB Asset Management (ČSOB AM).¹

The ČSOB group consists of ČSOB bank (including Postal Savings Bank), Hypoteční banka, ČMSS, ČSOB Penzijní společnost, ČSOB Leasing, ČSOB Factoring and Patria.

Net profit of the Business Unit Czech Republic

CZK bn



Net profit (CZK bn)	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	3Q/3Q	9M 2019	9M 2020	9M/9M
BU Czech Republic	4.094	5.240	2.260	2.095	3.066	-25%	15.027	7.421	-51%
o/w ČSOB Pojišťovna	0.302	0.275	0.332	0.443	0.329	+9%	0.923	1.104	+20%

¹Differences between the ČSOB group results within the Business Unit Czech Republic (BU CZ) and the stand-alone ČSOB group consolidated results are stemming from elimination of intragroup transactions with ČSOB Pojišťovna, management overlay as an additional impairment recognized by KBC Group in 1Q 2020 and other.

Since February 13, 2019 Belgium based company KBC Asset Management NV has become the sole shareholder of ČSOB AM through acquiring 100% of its shares from the previous owners – ČSOB and Luxemburg based company KBC Asset Management Participations. ČSOB AM is thus not a part of BU CZ anymore.

Appendix

Ratios and other indicators

Ratio / Indicator	31.12.2017	31.12.2018	31.12.2019	30.9.2019	30.9.2020
Net interest margin (Ytd., annualized, %) ¹	2.90 (2.98)	3.07 n/a	3.02 n/a	3.07 n/a	2.43 n/a
Cost / income ratio (%)	43.7	47.9	44.9	44.9	52.8
RoE (Ytd., %)	19.3	17.5	20.7	21.1	8.2
RoA (Ytd., %)	1.26	1.07	1.20	1.24	0.5
RoAC, BU Czech Republic (Ytd., %) ²	43.0	39.1	46.7	46.3	21.7
Credit cost ratio (Ytd., annualized, %) ^{3,5}	0.02	0.03	0.04	0.05	0.64
NPL ratio (%) ³	n/a (2.33)	2.73 (2.43)	2.24 n/a	2.32 n/a	2.12 n/a
NPL coverage ratio (%) ³	n/a (58.5)	45.7 (46.9)	47.3 n/a	48.1 n/a	49.2 n/a
(Common Equity) Tier 1 ratio (%)	17.2	18.0	19.2	18.7	22.8
Total capital ratio (%)	17.2	18.0	19.2	18.7	23.2
Leverage ratio (Basel III, %)	4.48	4.26	4.04	3.96	4.87
Net stable funding ratio ⁴ (Basel III, %)	146.0	161.4	161.5	158.0	169.9
Liquidity coverage ratio (Basel III, %)	146.4	136.5	130.9	128.4	137.1
Loan to deposit ratio (%)	77.7	76.3	79.4	79.0	72.9

¹ As of 1Q 2018, calculation of Net interest margin has been changed. Year 2017 has been restated. Previous values are in brackets.

² Fully-loaded

³ The loan quality ratios have been restated to reflect inclusion of 100% of ČMSS loans in Credit risk: loan portfolio.

The originally reported ratios are in brackets.

⁴ As of 3Q 2018 net stable funding ratio has been influenced by change of weight of exposures to CNB.

⁵ Collective COVID-19 ECL excluded from annualization (management overlay and impairments captured by the ECL models).

Profit and loss statement

(CZK m)	3Q 2019	2Q 2020	3Q 2020	Y/Y	Q/Q	9M 2019	9M 2020	Y/Y
Net interest income	8,270	6,264	5,654	-32%	-10%	23,564	20,737	-12%
<i>Interest income</i>	12,458	8,316	6,828	-45%	-18%	34,252	27,881	-19%
<i>Interest expense</i>	-4,188	-2,052	-1,174	-72%	-43%	-10,688	-7,144	-33%
Net fee and commission income	2,320	1,926	1,909	-18%	-1%	6,479	5,777	-11%
Net gains from financial instruments at FVPL ¹	-1,445	2,003	530	-/+	-74%	-2,416	-518	-79%
Other operating income ²	276	358	341	+24%	-5%	3,730	1,103	-70%
Operating income	9,421	10,551	8,434	-10%	-20%	31,357	27,099	-14%
Staff expenses	-2,472	-2,112	-2,259	-9%	+7%	-6,891	-6,708	-3%
General administrative expenses	-1,526	-1,596	-1,712	+12%	+7%	-5,538	-5,863	+6%
<i>General administrative expenses (excl. banking taxes)</i>	-1,518	-1,564	-1,704	+12%	+9%	-4,522	-4,782	+6%
<i>Banking taxes</i>	-8	-32	-8	+0%	-75%	-1,016	-1,081	+6%
Depreciation and amortisation	-624	-569	-602	-4%	+6%	-1,637	-1,744	+7%
Operating expenses	-4,622	-4,277	-4,573	-1%	+7%	-14,066	-14,315	+2%
Impairment losses	-215	-4,766	-455	>+100%	-90%	-339	-5,296	>+100%
<i>Impairment on financial assets at amortised cost</i>	-226	-4,640	-401	+77%	-91%	-286	-5,092	>+100%
<i>Impairment on financial assets at fair value through OCI</i>	0	-1	1	n/a	>-100%	0	0	n/a
<i>Impairment on other assets</i>	11	-125	-55	>-100%	-56%	-53	-204	>+100%
Share of profit of associates	2	-9	-10	+/-	+11%	222	-27	+/-
Profit before tax	4,586	1,499	3,396	-26%	>+100%	17,174	7,461	-57%
Income tax expense	-793	-170	-554	-30%	>+100%	-2,449	-1,142	-53%
Profit for the period	3,793	1,329	2,842	-25%	>+100%	14,725	6,319	-57%
Attributable to:	0	0	0%					
Owners of the parent	3,793	1,329	2,842	-25%	>+100%	14,725	6,319	-57%
Non-controlling interests	0	0	0	n/a	n/a	0	0	n/a

¹ FVPL = fair value through profit and loss.

² Other operating income = Net realised gains from financial instruments at fair value through other comprehensive income (OCI), dividend income, income and expense from operating lease, other net income.

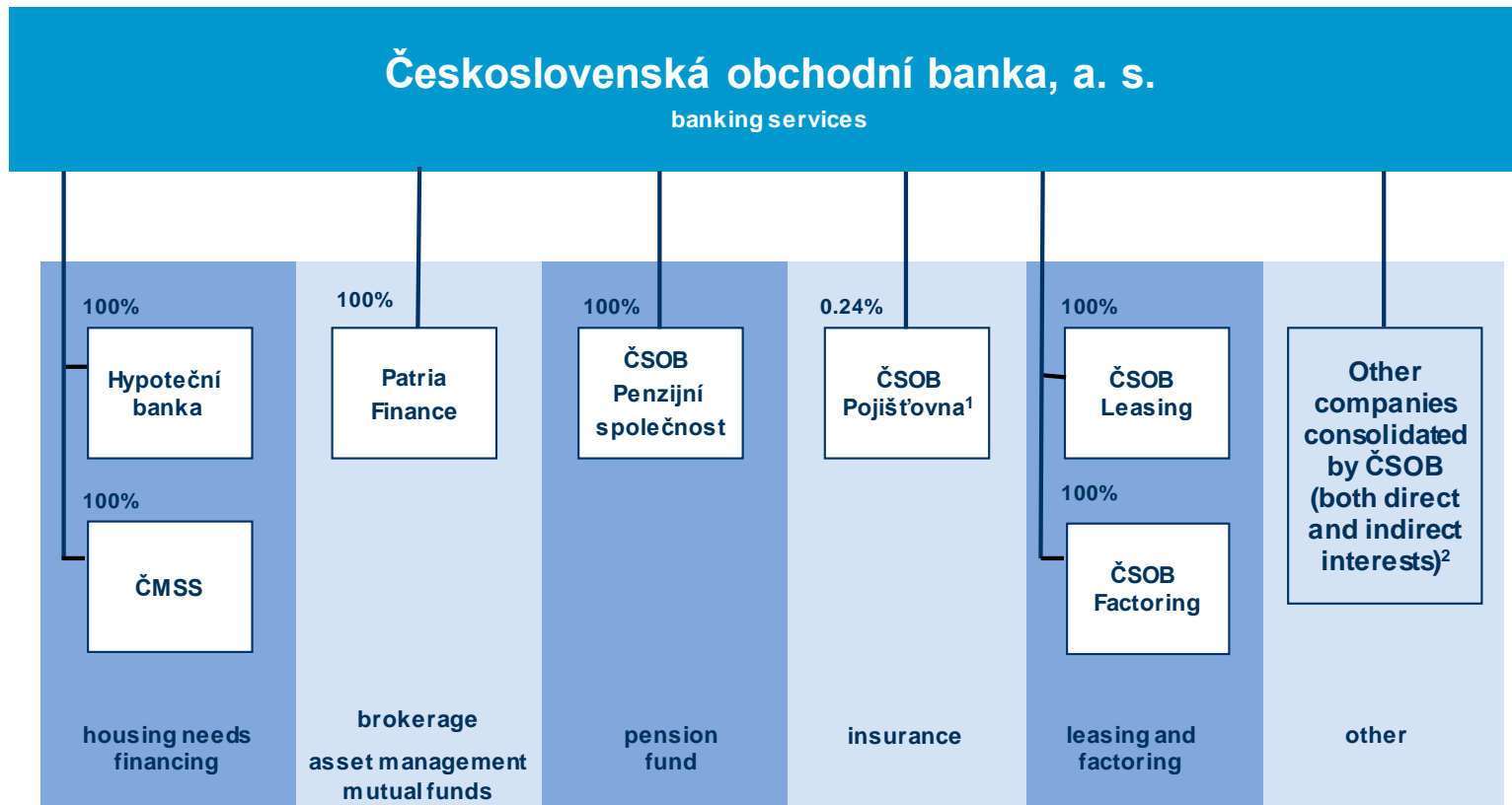
Balance sheet - assets

(CZK m)	30/9 2019	31/12 2019	30/9 2020	Ytd.
Cash and balances with central banks and other demand deposits	24,944	47,725	32,640	-32%
Financial assets held for trading	48,907	29,017	60,766	>+100%
Financial assets held for trading pledged as collateral	0	0	0	n/a
Financial assets designated at fair value through P/L	0	0	0	n/a
Non-trading financial assets mandatorily at fair value through profit or loss	752	948	1,494	+58%
Financial assets at fair value through other comprehensive income (OCI)	9,258	10,007	24,493	>+100%
Financial assets at fair value through OCI pledged as collateral	7,556	6,465	8,328	+29%
Financial assets at amortised cost - net	1,509,149	1,459,211	1,548,365	+6%
<i>Financial assets at amortised cost to credit institutions - gross</i>	684,153	621,195	628,018	+1%
<i>Financial assets at amortised cost to other than credit institutions - gross</i>	836,794	849,091	935,955	+10%
<i>Financial assets at amortised cost - provisions</i>	-11,798	-11,075	-15,608	+41%
Financial assets at amortised cost pledged as collateral	52,353	43,007	43,214	0%
Fair value adjustments of the hedged items in portfolio hedge	-1,555	-4,177	10,343	-/+
Derivatives used for hedging	10,214	9,226	12,114	+31%
Current tax assets	276	194	722	>+100%
Deferred tax assets	227	367	1,211	>+100%
Investments in associates and joint ventures	11	86	111	+29%
Property and equipment	14,049	14,417	13,470	-7%
Goodwill and other intangible assets	11,377	11,498	11,373	-1%
Non-current assets held-for-sale	25	23	17	-26%
Other assets	2,655	3,053	3,030	-1%
Total assets	1,690,198	1,631,067	1,771,691	+9%

Balance sheet – liabilities and equity

(CZK m)	30/9 2019	31/12 2019	30/9 2020	Ytd.
Financial liabilities held for trading	50,576	51,458	69,036	+34%
Financial liabilities at fair value through P/L	39,032	42,231	27,257	-35%
Financial liabilities at amortised cost	1,488,070	1,423,115	1,535,186	+8%
<i>of which Deposits received from central banks</i>	0	0	0	n/a
<i>of which Deposits received from credit institutions</i>	91,484	47,346	98,200	>+100%
<i>of which Deposits received from other than credit institut.</i>	977,965	959,951	1,080,570	+13%
<i>of which Debt securities in issue</i>	418,621	415,818	356,416	-14%
<i>of which Subordinated liabilities</i>	0	0	0	n/a
Fair value adjustments of the hedged items in portfolio hedge	142	-3,564	7,389	-/+
Derivatives used for hedging	10,556	10,967	19,847	+81%
Current tax liabilities	36	180	55	-69%
Deferred tax liabilities	954	940	1,001	+6%
Provisions	679	722	552	-24%
Other liabilities	6,003	6,340	5,724	-10%
Total liabilities	1,596,048	1,532,389	1,666,047	+9%
Share capital	5,855	5,855	5,855	0%
Share premium	20,929	20,929	20,929	0%
Statutory reserve	18,687	18,687	18,687	0%
Retained earnings	47,904	52,870	59,428	+12%
Financial assets at fair value through OCI - revaluation reserve	638	561	380	-32%
Cash flow hedge reserve	137	-224	365	-/+
Parent shareholders' equity	94,150	98,678	105,644	+7%
Minority interest	0	0	0	n/a
Total equity	94,150	98,678	105 644	+7%
Total liabilities and equity	1,690,198	1,631,067	1,771,691	+9%

The ČSOB group in the Czech Republic



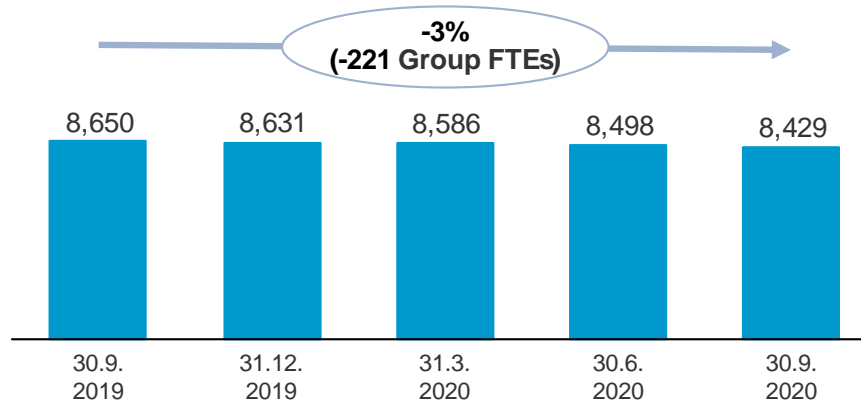
Percentages show ČSOB's ownership interests on company's equity as at 30 September 2020.

¹ 99.76% of shares owned by KBC Insurance; by the equity method consolidation.

² A complete list of companies consolidated by ČSOB is stated in ČSOB Annual Report.

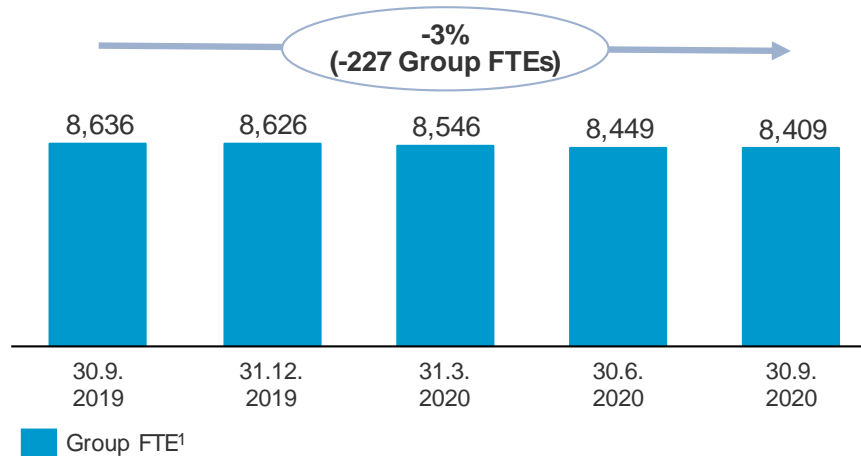
Employees

Number of FTEs – average



The average number of Group FTE decreased -221 Y/Y driven mainly by lower FTEs in Retail Distribution and Operations due to continuous digitalization and robotization of processes.

Number of FTEs – end of the period



The number of Group FTE at the end of the period decreased -227 Y/Y.

Explanatory notes to financial statements

1. Full consolidation of ČMSS

Beginning 1 June 2019 ČMSS is consolidated in the ČSOB's financial statements using the method of full consolidation. The beginning of consolidation positively influenced net interest income and net fee and commission income and negatively the operating expenses.

For comparison restated balance sheet as of 31 December 2018 with ČMSS consolidated using the full consolidation method is reported. The reported volumes of building savings loans and deposits were retrospectively restated to 100% (previously reported as 55%). Credit risk: loan portfolio has been extended of 100% amounts of loans in ČMSS (previously not included), figures were restated retrospectively. Loan quality ratios were retrospectively restated in line with restatement of Credit risk: loan portfolio.

2. Revaluation of the 55% share in ČMSS

In conformity with IFRS 3, ČSOB revaluated 55% share in ČMSS triggered by acquisition of the remaining 45% share. One-off gain from this revaluation in the amount of CZK 2.1bn was reported in other operating income.

3. Explanatory note on recognition of market value adjustments

Market value adjustments are recognized on all positions that are measured at fair value. They relate to close-out costs, adjustments for less-liquid positions or markets, mark-to-model-related valuation adjustments, counterparty risk and funding costs.

Credit value adjustments (CVAs) are used when measuring derivatives to ensure that their market value is adjusted to reflect the credit risk of the counterparty. A debt value adjustment (DVA) is made for contracts where the counterparty is exposed to CSOB. A funding value adjustment (FVA) is a correction made to the fair value of uncollateralised derivatives in order to ensure that the (future) funding costs or income attached to entering into and hedging such instruments are factored in when measuring their value.

4. Management overlay in accordance with IFRS 9

The loan loss provisions in 1H 2020 include additional impairment as a management overlay to address the economic impacts from the COVID-19 pandemic via an expert based calculation in accordance with IFRS 9. The management overlay was fully assigned to stage 2.

Market shares definitions and sources

Item	Definition	Source
Building savings deposits	Deposits of buildings savings clients, ČMSS 100%.	ČNB, Data Series System (ARAD); ČMSS
Building savings loans	Outstanding volumes of building savings loans, ČMSS 100%.	ČNB, Data Series System (ARAD); ČMSS
Consumer loans	Outstanding volume of cash loans, credit cards, overdrafts, consumer loans on real estate and American mortgages.	ČNB, Data Series System (ARAD); ČSOB
Factoring	Volume of new business.	Association of Leasing and Factoring Companies ČR (ČLFA)
Insurance	New business in the year according to gross written premium. Market position reflects combined position of the insurers belonging to the same business group.	Czech Association of Insurance Companies (ČAP)
Leasing	Outstanding volume (leasing of movables, commercial loans and consumer loans); related to the relevant market comprising both banks and non-banking institutions.	Association of Leasing and Factoring Companies ČR (ČLFA)
Mortgages	Outstanding volumes; mortgages for private individuals excl. American mortgages and mortgages for non-housing real estate purposes, consumer loans for house purchase, according to ČNB definition.	ČNB, Data Series System (ARAD); ČSOB; HB
Mutual funds	AUM in both Czech and foreign funds at the given date, including institutional funds and third parties funds; according to AKAT methodology.	Association for Capital Market (AKAT)
Pension funds	Total number of clients at the given date.	The Association of Pension Funds of the Czech Republic (APS)
SME/corporate loans	Remaining loans that are not reported in any of the retail loans categories (loans to other than households).	ČNB, Data Series System (ARAD); ČSOB
Total deposits	Total bank deposits including building savings deposits (ČMSS), excluding repo and including unmarketable bills of exchange.	ČNB, Data Series System (ARAD); ČSOB
Total loans	Outstanding volumes of consumer loans and other retail loans + mortgages for private individuals + building savings loans (ČMSS) + SME/corporate loans (gross).	ČNB, Data Series System (ARAD); ČSOB; ČMSS

Glossary - ratios

(Common Equity) Tier 1 ratio	Tier 1 capital (CET1) / Total RWA (according to CRR)
C/I (cost/income ratio)	Operating expenses / operating income, Ytd.
CCR (credit-cost ratio)	Total credit costs / average Credit risk: loan portfolio in the year (simple average of previous year end and reported period end balances); Ytd., annualized (collective COVID-19 ECL excluded from annualization)
Leverage ratio	Tier 1 capital / On-balance + Off-balance sheet items + Counterparty exposure for Derivatives and SFT + Add-ons (according to CRR)
Liquidity coverage ratio	High quality liquid assets (unencumbered and convertible into cash) to liquidity needs (outflow – inflow) for a 30 calendar days time horizon under specified significant stress scenario (according to CRR)
Loan to deposit ratio	IAS 39: Loans and receivables to other than credit institutions (net) / Deposits received from other than credit institutions at amortised cost minus repo operations with non-banking financial institutions IFRS 9: Financial assets at amortised cost to other than credit institutions minus bonds (net) / Deposits received from other than credit institutions at amortised cost minus repo operations with non-banking financial institutions
Net stable funding ratio (NSFR)	Available amount of stable funding / required amount of stable funding (according to CRR)
NIM (net interest margin)	Net interest income excl. volatile short-term assets used for liquidity management / average interest earnings assets excl. volatile short-term assets used for liquidity management ; Qtd./Ytd., annualized
Non-life combined ratio	(Technical insurance charges, incl. the internal cost of settling claims / earned insurance premiums) + (operating expenses / written insurance premiums) (after reinsurance in each case, according to KBC group methodology)
NPL (non-performing loans) ratio	Outstanding amount of non-performing loans (incl. off-balance sheet items) / Credit risk: loan portfolio
NPL coverage ratio	Specific allowances for loans and leases (incl. off-balance sheet items) / non-performing loans (incl. off-balance sheet items)
ROA (return on assets)	Net profit for the year / average of total assets; Ytd., annualized
ROAC, BU Czech Republic (return on allocated capital)	Result after tax (including minority interests) of the ČSOB group, adjusted to take account of allocated capital instead of actual capital / average allocated capital of the ČSOB group (KBC group methodology)
ROE (return on equity)	Net profit for the year / average of total shareholders' equity; Ytd., annualized
Total capital ratio	Total regulatory capital / Total RWA (according to CRR)

Glossary - other definitions

Assets under management	Including pension funds, mutual funds (assets under management in structured/capital protected funds and other mutual funds), other asset management and assets under management products and assets under management of Slovak local funds managed in the Czech Republic.
Banking taxes	Including contribution to the Resolution Fund, Deposit insurance premium and Securities Traders Guarantee Fund.
Building savings deposits	All ČMSS financial liabilities at amortized cost minus deposits received from other than credit institutions.
Building savings loans	All customer lending granted by ČMSS in book values. Gross.
Consumer finance	Loan portfolio granted by ČSOB's retail network (ČSOB and PSB brand) in book values. Gross.
Corporate loans	Loan portfolio granted by ČSOB's corporate banking network in book values, including credit-replacing bonds. Gross.
Credit risk: loan portfolio	Including all payment credit, guarantee credit, standby credit and credit derivatives, granted by ČSOB to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included.
Group deposits	Item Deposits received from other than credit institutions from the consolidated balance sheet (incl. ČMSS/building savings deposits).
Loan portfolio	Loans and receivables to other than credit institutions (incl. ČMSS/building savings loans) plus loans and receivables to credit institutions minus exposure to banks from inter-bank transactions plus credit replacing bonds (in FVOCI portfolio).
Mortgages	All loans booked in Hypoteční banka, including home equity loans and mortgage loans to legal entities, excluding intra-group loans. Gross.
Other investment products	Including bonds, mortgage covered bonds and investment certificates issued by ČSOB or Hypoteční banka held by clients of Retail and Private banking which are reported either as Financial liabilities at fair value through P/L or as Financial liabilities at amortised cost - Debt securities in issue.
SME loans	Loan portfolio granted by ČSOB's SME network in book values. Gross.

Contacts

ČSOB Investor Relations Team

Irena Židová (Head of IR)

Přemysl Němeček

Tereza Siuda

Tel: +420 224 114 106

Tel: +420 224 114 110

investor.relations@csob.cz

www.csob.cz/ir

Československá obchodní banka, a. s.

Radlická 333/150, Praha 5

Czech Republic

ČSOB group Czech Republic

Member of the KBC Group